

Detroit Public Schools Office of the Auditor General



FINANCIAL RELATED AUDIT OF MUMFORD HIGH SCHOOL School Year 2008-09

REPORT NO: 09-143

REPORT DATE: June 30, 2009

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BACKGROUND

For the 2008-2009 School Year, 2,100 students were enrolled at Mumford High School which has grade levels ninth through twelfth. Ms. Linda Spight was the Principal of the school during this time period and has been serving in that capacity since 1996.

Ms. Elizabeth Lambert, Clerical II, performed bookkeeping duties and has done so since 1989.

Mumford maintains one commercial checking account and one Certificate of Deposit at Comerica Bank. In addition, Mumford maintains a savings account at Chase Bank. Primary sources of General School Funds are student activities and fundraisers. Sources of District Fund Revenues include Food Services (i.e., lunchroom) and Athletics (i.e., ticket and concessions sales from football, basketball and other events).

AUDIT OBJECTIVES

The objectives of the audit were to ensure that:

- 1) The cash management system is effective in controlling the receipt, processing, deposit, and disbursement and accounting of funds to limit any risk of theft, misuse and/or misappropriation, and
- 2) General School funds (*for example, student fees, fundraising activities, grants, etc.*) and District funds (*for example, lunchroom receipts, fines, athletic/league game receipts, summer school tuition, etc.*) are properly accounted for, safeguarded and used as intended

SCOPE & METHODOLOGY

The scope of the audit was to review the cash management activities from July 1, 2008 through March 31, 2009 for school year 2008-2009.

- 1) Interviewed key school officials to obtain an understanding of their cash management process.
- 2) Prepared a process narrative documenting the controls in place for each source of revenue.
- 3) Reviewed monthly cash receipt and cash disbursement ledgers: If the ledgers did not exist, transaction activities were compiled by totaling cash receipt records and reviewing the check register for cash disbursements.

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SCOPE & METHODOLOGY (continued)

- 4) Completed a cash receipt ledger template: The ledger was designed to identify funds, which may have been received but not deposited. Performed research as necessary.
- 5) Performed a cash count: All cash on hand waiting to be deposited, as of the audit date, was counted under dual control by a field auditor and witnessed by a school official. The count did not include sealed cash for lunchroom deposits.
- 6) Compiled financial data via bank reconciliation templates: Reviewed reconciliations completed by the schools to identify banking irregularities and reconciling items outstanding for an extended period of time. Confirmed bank reconciliations were completed as reported to the Office of Central Accounting.

FINANCIAL SUMMARY

Table 1.1: Cash Receipts from General School and District Funds (July 2008 – March 2009)

ACCOUT TYPE	AMOUNT
<u>Commercial Checking Account Deposits</u>	\$153,667

AUDIT RESULTS IN BRIEF

Based on our audit of the Mumford cash management process, we noted control weaknesses related to cash receipts, cash disbursements, and bank reconciliations:

- Athletic receipts were not deposited into the District’s Revenue Account.

The detail of these findings and recommendations are included in the Findings Section of this report.

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AUDIT FINDINGS

1. Finding – Athletic Receipts were not deposited into the District’s Revenue Account:

The school does not deposit the gate receipts collected at sporting events, into the District’s Revenue Account.

Cause

The receipts are maintained by the school to cover expenses (e.g., payments to referees, ticket sellers and ticket takers).

Effect

The school is not in compliance with the policies and procedures outlined in the SAFM and Athletic Manual.

Recommendation

The Principal should ensure that all gate receipts from sporting events are deposited into the District’s Revenue account.

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MANAGEMENT RESPONSE

After reviewing the findings of the audit and as the new administrator of Mumford High School, I agree with and will comply with the recommendations set forth by the Auditor General.

The Assistant Superintendent/Principal of Mumford will ensure that all gate receipts from the sporting events are deposited into the District's Revenue account.

Mario Morrow, Principal

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Our audit was performed in accordance with U.S. General Accounting Office Government Auditing Standards and Standards of the Institute of Internal Auditors.

This report is intended solely for management and should not be used for any other purpose. This restriction is not intended to limit the distribution of the report which is a matter of public record.

A handwritten signature in blue ink, appearing to read 'Odell W. Bailey', is positioned above the printed name.

Odell W. Bailey, CIA
Auditor General